

Avoid Selling To Deadbeats And Con Artists

27 Red Flags To Look For To Avoid Nonpaying Clients

Sooner or later it is bound to happen! You are going to sell your services or products to someone that will not pay you. To keep from giving away your services for free you need to accurately assess your risk of extending credit and see through those con artists and deadbeats who make a living by stealing products and services from businesses like yours.

Having a solid credit policy that requires getting the information you need to determine a customer's creditworthiness will greatly reduce your risks. It could even help you get more sales. How? By having a better understanding of your customer's business, you may discover he could use other products that he does not realize you have. Or, you may have other locations that can serve him in other geographical areas. So, if you have a good credit application and ask the right questions, you will be able to better serve your customer.

However, in your quest for sales you need to identify someone who cannot pay you, or worse yet, has no intention of ever paying you. Here are some **red flags** to look for that should tell you to proceed with caution.

1. A new business that has been in operation for less than one year.
2. Recent change in ownership.
3. The order received was unsolicited.
4. A large order is placed soon after the account is approved and one or two small payments are made. This is an old con artist's strategy. They trick you into thinking they are a good paying customer, but are only setting you up to give them a big order that they do not intend to pay.
5. Your customer reports being in business for several years, but trade references

all indicate that the account was opened less than one year ago.

6. Your prospect is located out of town and only provides references that are from his local area. Most firms pay the fastest to those who it has a relationship with and will need to buy from again. Find out how the firm pays other out-of-town firms that are in a similar business to yours.

7. References provided report little activity and high credits smaller than what your customer is requesting from you.

8. Trade references show a deteriorating pay record or the firm is at its credit limit.

9. The trade references provided are affiliated companies.

10. Calls to the main number are always answered by voice mail or it is a cell phone number.

11. The new customer insists on quick delivery and gets angry if he does not get what he wants.

12. A new customer requests special payment terms.

13. An existing customer's purchases drop off as he begins to take longer to pay you.

14. You are unable to verify the business through the Secretary of State. You can check with the Missouri Secretary of State online at www.sos.mo.gov/BusinessEntity/soskb/csearch.asp.

15. The owner of the business has a history of being involved in businesses that are no longer operating.

16. In today's world, be leery of any business that does not have a website.

17. The bank reference reports multiple NSF checks or low average depository balances.

18. The bank reference provided reports a nonborrowing status and the company has small depository account balances.

19. The bank reference reports that the customer's line of credit is fully extended.

20. A post office address is provided and you cannot verify a physical street address for the business, or it is reluctantly provided.

21. The Better Business Bureau reports unresolved complaints or reports of deceptive advertising. Go to www.stlouis.bbb.org to get free reports from the Better Business Bureau.

22. You receive a partially completed credit application that is missing key data.

23. Significant tax liens, mechanic liens, judgments, and/or lawsuits are reported.

24. The company or its owners have filed for bankruptcy in the past and have not yet reestablished a proven track record of paying bills. You can call 314-244-4999 to find out details of bankruptcy filings in Missouri's Eastern District.

25. The applicant has a less than stellar credit standing and the owners will not provide personal guarantees.

26. The person accepting an order on a COD transaction does not have his driver's license with him.

27. A check provided does not have the company's name, address and location imprinted on it.

Finding one or more of these red flags during your credit approval process does not automatically disqualify extending credit to your customer. See what your customer has to say about what you have found and determine if his explanation makes sense.

Do not talk yourself into doing something

that you are not comfortable with. And don't be afraid of losing the sale. That is dealing from a position of weakness and professional con artists and deadbeats know this. They will try to use your strong desire to make a sale to their advantage.

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